

CERTIFIED TRANSLATION

ARTICLE 5. CONTRIBUTIONS

(1) **By members**

(a) Each member shall contribute to the System a certain uniform percentage from his or her compensation, established by the Board of Trustees which, calculated at a regular interest based on the tables adopted by the Board of Trustees, is enough, after the member turns 60, to pay for a pension equal to three fourths of one percent (.75%) of the average annual compensation during the three consecutive years preceding his or her retirement, during which the member earned higher salaries, multiplied by the number of years of service as a member; IT IS PROVIDED that said contributions shall be adjusted to cover any amendments to the contribution rates established by the Federal Social Security Act in effect from January 1, 1955. (April 30, 1983).

(b) The Authority shall deduct said percentage from the compensation of each member in each and every payroll. When determining the amount of the compensation of a member for the period covered by the payroll, the Authority may deem the compensation payable to the member on the first day of said period as if it continued throughout the entirety of said period, and shall be able to refrain from making deductions for the



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compensation during any period shorter than the total period, if the member was not paid or was not a member, from the first day of the period covered by the payroll. To facilitate said deductions, it may modify the deduction corresponding to any member by an amount not to exceed 1/10 of 1 percent of the annual compensation percentage, based on which said deduction shall be made. It is understood that all members have agreed and consented to the making of the deductions mentioned in these Regulations, and shall provide a receipt for his or her total compensation. Payment of the compensation, minus said deductions, shall be a complete exemption and release from any claims and complaints for services rendered by said member during the period covered by said payment, with the exception of his or her claim for benefits to which the same may have a right under these Regulations. The amounts deducted from the compensation of members shall be paid by the Authority to the Board of Trustees in order to deposit them in the fund created by these Regulations.

(c) (As amended on October 24, 1968, May 21, 1969). Starting January 1, 1955, the Authority shall deduct from the contributions paid by each member to the System, the contribution established on the compensation of the same by the Federal Social Security Act as



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in effect on the afore mentioned date. The Authority shall retain said contribution in order to pay it to the Secretary of the Puerto Rico Treasury; IT IS PROVIDED that, starting July 1, 1969, the deduction herein established shall not be applied to any member who chooses benefits under the System that are completely supplementary to any benefits payable to the same under the Federal Social Security Act, in accordance with Paragraph (a) of Section (9) of Article 2.

(d) Starting June 1, 1972, each member shall contribute to the System, in addition to the percentage of his or her compensation that has been determined in accordance with Subsection (a) Article 5 (1), three hundredth of one percent (.03%) of his or her compensation; said additional contribution shall be increased, starting July 1, 1973, by one and fourteen hundredth [of] percent (1.14%) of the compensation of each member. Said additional contribution shall be deducted by the Authority from the compensation of each member in the same manner provided for payment of the contributions of the member under the provisions of Subsection (b) of Article 5 (1).



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(2) Contributions by the Authority.

(a) (As amended on February 1, 1967, entering into effect on January 1, 1967). On a monthly basis, or as frequently as agreed to by the Board of Trustees, the Authority shall contribute to the Fund created by these Regulations, a percentage of the compensation of all members which shall be referred to as a regular contribution, and until determined in accordance with Section (2), the Authority shall make another contribution which shall be referred to as accrued obligations contribution.

(b) Based on the regular interest and on the mortality and service tables adopted by the Board of Trustees immediately after doing each valuation during the period on which the accrued obligations contribution is payable, the Actuary shall determine the uniform percentage of the compensation of all members calculated to be required as contributions payable by the Authority to provide the benefits of the System to which members are normally entitled, in addition to the contributions payable by said members. **The** percentage so determined shall be referred to as the regular contribution percentage. After all of the accrued obligations contributions have been paid, the



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regular contribution percentage shall be determined after each actuarial valuation as the compensation percentage of all members and shall be obtained by deducting from the total of the obligations of the Retirement System for all benefits to active and retired members to be contributed by the Authority, the amount of the Funds in cash reserved for said benefits, and dividing the remaining amount by one percent of the current value of the future compensation of all members.

(c) Immediately after the first valuation from the effective date of any amendment to the Regulations of the Retirement System, the Actuary shall determine the amount of all obligations of the Retirement System for all present and future benefits of active and retired members that is not covered by the assets reserved for said benefits, the future contributions to be made to the System by active members and the future regular contributions to be made by said members. The amount so determined shall be referred to as the accrued obligations, and the percentage of payable contribution for said accrued obligations shall be referred to as the rate of accrued obligations contribution.

(d) The total amount to be paid annually by the Authority shall *not* be lower than the sum of the percentages of the compensation of all

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members known by the percentage of regular contribution and the percentage of accrued obligations contribution; IT IS PROVIDED, however, that starting January 1, 1967, the rate of accrued obligations contribution shall be one and a half percent (1%%) of the total annual compensation of the members of the System, payable on a monthly basis, and IT IS ALSO PROVIDED that the amount of each annual contribution for accrued obligations, starting July 1, 1967, shall not be lower than the payment for the previous annual accrued obligation; and IT IS ALSO PROVIDED that the joint payment by the Authority must be enough, upon combining it with the Retirement System assets, to pay for the benefits to be charged to the System during the current year.

(e) Accrued obligations contributions shall be suspended as soon as the accrued reserves of the Retirement System are equal to the cash value actuarially calculated and approved by the Board of Trustees, from the total obligations of the Retirement System for the benefit of active and retired members, minus the cash value of future regular contributions, based on the percent that is in effect, and the future contributions to be received on account, of the persons who are members on that date.



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It is provided that if the cost of the total contribution to be made by the Authority is zero (0), the regular contribution, in accordance with the Regulations, shall not be less than 5% of the payroll of active members. (Approved on June 29, 2011, Resolution 2011-032.)

(f) (As amended on August 17, 1956). From January 1, 1955, the Authority shall pay to the Secretary of the Puerto Rico Treasury from its regular contribution to the Retirement System fund, the contribution imposed on it from time to time by the Federal Social Security Act.

(g) The Authority shall contribute all of the necessary [Funds] for the administrative expenses of the System. The Board of Trustees may authorize payment of the administrative expenses of the System charged to the general fund as long as it is beneficial to the System administration, in which case the Authority shall cover said expenses in the accrued obligations contribution. (Approved on August 17, 2000, Resolution 2000-035)

ARTICLE 6. MANAGEMENT OF THE SYSTEM

(1) The Board of Trustees shall be responsible for the general management of the System and putting into effect the provisions of this Regulation. The Board of Trustees composed of eight members one of

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which shall be the Executive Director of the Authority, who, if absent, may be replaced by the Interim Executive Director of the Authority. Three members shall be active members of the System elected by the active members themselves through an individual vote and under the Authority's supervision, three shall be named by the Board of Governors for the Authority and one shall be a System Retiree, elected by retired members under the supervision of the Retirement System. The Trustees shall be appointed or elected for a term of three years. The Executive Director of the Authority shall act as a Trustee while exercising the office of Executive Director. Each term of an elected or appointed Trustee shall be understood to expire on the anniversary date of the establishment of the system, and all appointments or elections, except for those to fill vacancies for unexpired terms shall take place on said anniversary dates. Vacancies for unexpired terms shall be covered in the same manner in which they were originally covered.

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(2) The Board of Trustees shall hold ordinary meetings (June 19, 1987) once a month and shall also hold special meetings as necessary. Six Trustees shall constitute a quorum and each Trustee shall have one vote, but six accordant votes shall be necessary for any Board decision to be valid. A President and a Vice-President shall be elected from among its members and a Secretary and a Sub-Secretary shall be appointed who need not be Trustees. The Board shall obtain whatever administrative, legal, office, medical and actuarial services may be necessary to carry out the provisions of the System. (December 23, 1993)

(3) The Board of Trustees shall from time to time adopt whatever mortality tables and services may be necessary as a basis for actuarial calculations and shall establish the percentages of contributions to the System, as provided in Article 5 of this Regulation. To advise the Board in adoption of the tables and in the determination of the percentages of contributions to be made to the Retirement System, the Board of Trustees shall appoint an actuary, who will make annual actuarial valuations and who shall recommend to the Board the tables and percentages of contributions that he or she considers should be used by the Board. In the third year after the date the System is implemented and after that

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at least once every five years, the Board of Trustees shall order actuarial research based on the experience acquired regarding the mortality, service and compensation of the members and the benefits of the Retirement System.

(4) The Board of Trustees shall maintain an accounting system showing the transactions of the System, as provided below, and shall, in an appropriate manner, maintain information that is necessary for actuarial valuations of the capital and obligations of the various accounts of the System. Every year, the Board shall present to the Governing Board of the Authority a report, certified by an auditor hired by the Board of Trustees, showing the transactions carried out during the previous year which shall include the assets and values accrued and the last balance sheet showing the financial situation of the System through an actuarial valuation of the assets and liabilities of the same. The Board of Trustees may, from time to time and subject to the limitations of this Regulation, establish rules for the management and functioning of the Retirement System. The Board of Trustees of the Retirement System shall be the body that determines the amount to be paid for any member requesting that services

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rendered be accredited beforehand. The decision of the Board of Trustees, regarding any matter or controversy, shall be final within the administrative process. With regard to service accreditation cases, the Board shall sign the determination of the amount to be paid by the member of the System and shall notify the applicant by certified mail return receipt requested, and shall file a copy of the determination and proof of notice. If, after conclusion of the informal process carried out by the officials of the Retirement System to handle any claim by a member or beneficiary entailing an interpretation of the provisions of the Regulation of the Retirement System, other than a service accreditation, the member or beneficiary does not agree with said determination, he or she may, within the term of twenty (20) calendar days from the notification, file a written Petition to the Board of Trustees to resolve the issue. This letter shall include all of his or her allegations and shall attach any evidence that serves to support his or her arguments.

In service accreditation cases, the determination shall give notice of the right to request reconsideration through a motion or request addressed to the Board of Trustees within a final term of twenty (20) days from the date in the entry on the case file. The Board shall consider the

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request for reconsideration, in both cases, within fifteen (15) days of its being filed. If it is summarily rejected or if no action is taken within the term of fifteen (15) days, the term to request judicial review shall commence anew as of the time that notice is given of said denial or from the time the fifteen (15) days expire, as the case may be. If the Board takes a determination into consideration, the term to request judicial review shall commence as of the date on which a copy of the notice of the Board's determination definitively resolving the request for reconsideration is entered on the case file. Said determination shall be issued and entered on the case file within ninety (90) days from the filing of the motion or request for reconsideration. If the Board of Trustees accepts the motion for reconsideration but fails to take any action with respect to the motion within ninety (90) days of its being filed, it shall lose jurisdiction over the motion and the term to request judicial review shall commence as of the expiration of said ninety (90) day term, unless the Board, for just cause, and within those ninety (90) days, extends the term to resolve the matter within a term not to exceed thirty (30) additional days.

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If the Board concludes or decides that it will not initiate or continue an adjudicative proceeding in a particular case, it shall terminate the proceeding and notify the moving party, in writing by certified mail return receipt requested, of its decision, the grounds for that decision and the availability of a request for review.

A party adversely affected by a determination by the Board of Trustees, after exhausting the administrative reconsideration procedure before the Board, may file a request for judicial review with the competent Circuit Court of Appeals within a term of thirty (30) days from the date that the copy of the notice of the Board's final determination is entered on the case file. The party shall give notice of the filing of the request for review to the Board of Trustees within the term to request such review. Notice may be made by mail. (Approved on July 20, 2007, Order 2007-049)

(8) Fiduciary Insurance Policy and Crime Insurance Policy; The Board of Trustees shall make arrangements to acquire insurance policies for the Trustees and Retirement System officials covering fiduciary and criminal liability.



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(9) Updating of signatures; The Board of Trustees shall designate employees authorized to carry out transactions with the assets of the System. The Administrator shall ensure that the signatures of authorized employees are updated whenever changes arise.
(Approved on August 31, 2001, Order 2001-038.) ARTICLE

ARTICLE 9. GENERAL PROVISIONS

(1) The establishment of this Retirement System shall not be considered nor interpreted as an employment contract nor cause for the same, nor shall it affect the Authority's right to dismiss any employee from service.

(2) The intention of the Authority is to maintain the System so long as it continues to carry out the role and purposes for which it was created, but the Authority, by means of a recommendation by its Board of Trustees and action by the Board of Governors may, for reasons affecting its normal development and functioning as a solvent entity, discontinue, suspend or reduce its contributions to a level lower than that required in Article 5, in which case member contributions may also be discontinued, suspended or reduced in the same proportion and for the same period and all benefits shall be reduced to amounts such that the contributions made up to that



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date, plus the lower future contributions (if any) could provide, in accordance with actuarial evaluations.

(3) The Authority, by means of a recommendation of the Board of Trustees and the action of its Board of Governors, based on causes or circumstances beyond its control, may terminate the functioning of the System at any time. In the event of such termination, all the System's capital shall be used only for the benefit of active members, retired members and their beneficiaries under the System, and for no other purpose. Each member or person with a right to a pension shall have a right to his or her corresponding proportionate share of the total amount of System capital according to all the prior contributions made by to the [sic] and by the Authority with respect to the benefits to be paid to to the [sic] or on his or her account and in the proportion that the System's obligations in his or her account has to the total obligations of the System as determined by the Board of Trustees based on actuarial evaluations. The Board of Trustees may require said members, or other persons, to withdraw such amounts, in the form of immediate or deferred annuities, as the Board may determine within its discretion.



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(4) Notwithstanding any provision to the contrary established in this Regulation, the Board of Governors of the Authority shall have the power to, where special circumstances are present, grant a special pension or benefit to any employee, whether or not he or she is a member of this System, and said pension or benefit shall be paid from the Retirement System, PROVIDED THAT, the Authority first pays to the System the amount required to cover the amount of said pension or benefit



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